

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

AGRICULTURAL COOPERATION

LEGAL, ECONOMIC, AND ORGANIZATION INFORMATION COLLECTED BY THE DIVISION OF COOPERATIVE MARKETING,
BUREAU OF AGRICULTURAL ECONOMICS, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

April 2, 1927.

Vol. V. No. 7.

PURE GOLD FRUIT WINS MANY PRIZES

Forty-eight awards and cash prizes of \$833 were given to Pure Gold fruit displayed by the Mutual Orange Distributors, Redlands, Calif. at the 1927 National Orange Show. The display was a combination of oranges, lemons and grapefruit, filling a rack 120 feet in length. The awards included 21 first prizes, 16 second prizes, and 11 thirds. Pure Gold lemons won first honors for the most artistic rack display of 40 boxes, and for the best 12 boxes entered by a packing house.

----0----

AVOCADA EXCHANGE IS BRANDING ITS FRUIT

Membership of the California Avocado Growers' Exchange, Los Angeles, increased from 167, December 31, 1925, to 395 on December 31, 1926, a gain of over 136 per cent in one year. In its first year of operation, 1924, the Exchange handled 179,000 pounds of fruit; the 1926 volume was approximately half a million pounds, and the 1927 crop is expected to total a million pounds.

A specially designed grading machine has been installed which handles a large volume, grading and counting the fruit automatically. Fruit of the highest grade is stamped with the mark "Calavo."

----0----

CALIFORNIA FRUIT EXCHANGE BUYS SUPPLIES FOR MEMBERS

Supplies to the amount of \$2,069,361 were handled in 1926 by the California Fruit Exchange, Sacramento, at a nominal carrying cost. Purchases for the year consisted of 1325 cars of lumber products, 40 cars of baskets, 53 cars of paper and nails, 177 cars of grape kegs and packing, and general merchandise and spray to the value of \$100,000.

The lumber department established in 1919 has operated successfully and in seven years has returned to the Exchange net earnings of \$809,192. During the past year truck logging was discontinued and a railroad installed. The management believes that the lumber department has helped to stabilize the shook industry and "has forced operators to recognize a legitimate profit." It is considered a "safety valve" for the Exchange.

TASMANIA FRUIT GROWERS HOLD NINTH ANNUAL MEETING

At the ninth annual meeting of the Port Huon Fruit Growers' Co-operative Association, Limited, Hobart, Tasmania, held August 31, 1926, reports were presented for the 12 months ending June 30, 1926. Although the operations of the year resulted in a deficit of £2,463, the association was declared "as sound as a bell" and the report was considered very satisfactory in view of the adverse conditions which had to be met. The sum of £5,000 had been set aside early in the year for the anticipated loss on overseas shipments.

Salaries for the year were less than 1 per cent of the turnover. This was a lower figure than in former years, as in 1923 it was 1.5 per cent; in 1924, 1.33 per cent; and in 1925, 1.08 per cent.

The association has a paid-up capital of £18,978, and reserves of £5,767.

----0----

CALIFORNIA ASSOCIATION HANDLES GRAVENSTEIN APPLES

Gravenstein apples are the specialty of the Sebastapol Apple Growers' Union, Sebastapol, Calif. Out of 360,250 boxes of apples packed in the season of 1926, 322,122 boxes were of this one variety. Spitzenbergs, Jonathans and Kings are also produced in some quantity and many other varieties in smaller quantities. Thirty-five varieties were packed and shipped in 1926, and of this number there were 15 varieties represented by fewer than 50 boxes each.

This organization began operation in 1911. It is a stock company with no local units, but operating a number of packing houses. Available figures showing its progress over a period of years, are shown in the table below:

Year	Shipments	Sales	Net worth	Fixed assets
	(Boxes)			
1921	434,761	\$1,200,000	\$105,430	\$ 76,785
1922	592,595	609,268	153,304	178,062
1923	1,061,765	1,293,432	232,970	* 178,155
1924	409,519	581,627	226,525	* 187,999
1925	98,723	219,073	212,569	* 172,917
1926	360,250	— — — —	202,892	* 172,551

* Less depreciation.

TENNESSEE GROWERS RAISE QUALITY STRAWBERRIES

Forty-one cars, containing 16,874 crates of strawberries, were shipped in 1926 by the Sale Creek Strawberry Growers' Association, Sale Creek, Tenn. These berries were sold f.o.b. Sale Creek, on standard U. S. grades with Federal inspection, and brought a gross return to the association of \$63,764. and a net return to the growers of \$3.52½ per crate, or a total of \$62,272. Average gross expense was 22¼ cents per crate.

Only two varieties of berries are grown, Aroma and Klondyke. Number one berries are designated as "Signal Mountain Aromas" or "Signal Mountain Klondykes." Other berries are unlabeled. The 173 members had 300 acres of strawberries last year.

-----0-----

COLORADO ASSOCIATION SERVES VEGETABLE GROWERS

Eighty-two cars of produce were shipped in 1926 by the Colorado Cooperative Lettuce Association, Buena Vista, Colorado., including 29 cars of peas, 18 cars of lettuce, 1 car of celery, and 23 mixed cars. Net receipts came to \$59,011 an average of \$720 per car, compared with \$53,488 from 98 cars in 1925, an average of \$545 per car.

Shipments of the three principal commodities handled, with net receipts for each for the past four years, are shown below:

Year	Lettuce		Peas		Cauliflower	
	Crates shipped	Net receipts	Crates shipped	Net receipts	Crates shipped	Net receipts
1923	29,598	\$42,325	4,370	\$16,606	4,844	\$5,909
1924	12,853	32,132	5,540	12,465	10,396	7,277
1925	15,700	15,386	10,400	33,800	7,500	4,350
1926	12,975	19,006	13,869	38,550	1,704	1,454

During its short life the association has shipped 374 cars which have netted the growers approximately \$230,000, an average of more than \$600 a car. It serves from 150 to 200 growers. The annual report, dated December 1, 1926, states that the association is in good shape, all its debts are paid, it owns its property, and has only \$5,100 in bonds outstanding, while the surplus and revolving funds contain enough money to cover this amount.

CANADIAN ASSOCIATION REPORTS LARGE GROWTH

From an association of 300 members in 1927, with a turnover of about one million dollars, the Fraser Valley Milk Producers' Association, Vancouver, B. C., has grown to a membership of 2,475 with a business turnover of more than four million dollars in 1926, all of which "has been done with 80 per cent cooperation," according to a statement by the president.

More than 500 of the members registered on the first day of the tenth annual meeting, held in Chilliwack in February, and 750 were in attendance the second day. The meeting was reported to be "the largest and most enthusiastic gathering on record." The recognition of the value of skim milk was a topic of ourstanding interest. It is said that this "may mean the adoption of another system of payment than that of the butterfat test now in force."

One plant for making skim milk powder is now in operation and is saving money for producers, but it is estimated that two million pounds of milk was lost during the past year and additional facilities are needed.

-----0-----

OREGON FACTORIES MAKE MORE CHEESE EACH YEAR

Since 1909 the Tillamook County Creamery Association, Tillamook, Oregon, has grown from 9 member creameries to 23, and the quantity of cheese manufactured has increased from two and one-half million pounds to nearly seven and one-half million pounds.

In 1926 the 23 member creameries received 67,027,795 pounds of milk and manufactured 7,477,579 pounds of cheese which was sold for \$1,835,738. Sales of cream brought an additional \$64,533, making total receipts \$1,900,271.

The Tillamook Creamery is the largest of the member creameries and manufactured more than a million pounds of cheese last year. The two largest received more than 8,500,000 pounds of milk each; one received more than 7,500,000 pounds; one, 5,000,000 pounds; two, 4,000,000 pounds; two, 3,000,000; three 2,000,000; eight, more than 1,000,000; and four of the 23 received less than one million pounds of milk each. The average butterfat test for the year was 4.17; the average price per 100 pounds of milk was \$2.34; and the average cost of making cheese was 4.08 cents.

In the 18 years the member associations have received 819,524,816 pounds of milk and manufactured 91,094,286 pounds of cheese which has sold for \$21,160,360.

ALBERTA DAIRY POOL REPORTS FOR FIRST YEAR

In its first year of operation, 1926, the Alberta Cooperative Dairy Producers, Ltd., Edmonton, received from its members 2,575,565 pounds of butterfat, for which the members received \$814,962, or about 32 cents a pound. From this quantity of butterfat the 12 creameries manufactured 3,118,700 pounds of butter which was sold for \$1,039,927, an average of about 33 cents a pound. Cost of manufacturing came to \$235,821, and the net loss was \$5,057.

Early in the year the management of the new organization realized that it was to be forced to meet competition and decided to limit the operations of the Pool to 12 creameries. Two of the 12 did not operate as Pool creameries until May. This resulted in a lower average price for the year as prices are high during the first four months.

At the beginning of 1926 the membership stood at 3,547, and at the end of the year it was 6,456, a gain of 2,909. Most of the organization work was done in the territory surrounding the 12 creameries.

Numerous requests and petitions for Pool facilities have been received during the year and because of these demands the board of directors is negotiating with certain commercial creameries to operate as Pool creameries this year. The first step toward ownership of creameries has been taken at Eckville where a creamery is being built.

-----0-----

CHEESE FEDERATION SETS NEW HIGH RECORDS

"The best annual Federation meeting ever held" with large attendance and "keen interest from start to finish," is reported of the thirteenth meeting of the Wisconsin Cheese Producers' Federation, Plymouth. The Federation is now the largest it has ever been. Its territory was increased during 1926 by the addition of two new warehouses, bringing the total number to 13; its output for 1926 was thirty-three and a half million pounds of cheese which sold for more than seven million dollars; and nearly twenty thousand dollars was paid in patronage dividends and contest prizes.

Receipts of cheese at all warehouses during the year amounted to 33,395,851 pounds, which was 3,720,248 pounds more than in 1925, or 11 per cent. Sales of cheese for the year registered a total of 33,614,805 pounds, bringing a gross income of \$7,037,787, more than a half million dollars over 1925 sales. Sales of factory supplies amounted to \$133,331, an increase of 17.2 per cent over 1925. This department was opened in 1920 and had sales of \$41,000 the first year.

From some comparative figures showing the growth of the Federation the following have been selected: Sales in the one month of June, 1926, exceeded total sales for the first year of operation, 1914. For each 100 pounds of cheese handled in 1914 the Federation handled 545 pounds in 1926. The grand sales total for 13 years is 215,036,513 pounds of cheese valued at \$46,995,668.

COOPERATIVE ELEVATOR EXPANSION IN ALBERTA

Announcement is made that the management of the Alberta Cooperative Wheat Producers' Association, Limited, Calgary, Canada, has decided to acquire at least 100 country elevators this year in addition to the 42 now owned. It is estimated that this expansion in physical plants will cost approximately \$1,250,000. The management proposes to have the additional elevators ready for operation in connection with the marketing of the 1927 wheat crop. Steps are also being taken by the management to lease elevator facilities at Vancouver. More than 3,000,000 bushels of association wheat has been handled so far the present season through the elevator which the association is operating under lease at Prince Rupert B. C. A portion of this grain has been shipped to the Orient.

-----0-----

WITHDRAWAL CLAUSE IS APPROVED IN COLORADO

The new "withdrawal clauses" of the Colorado bean pool and the Colorado wheat pool have apparently reduced the amount of opposition to the cooperative contract to less than one-half of one per cent, according to the official publication of the Colorado Bean Growers' Association. Cancellations were very few in the first annual withdrawal period just closed. The number of new contracts greatly exceeded the number of withdrawals in the bean growers' association which has grown from 150 members a year ago to approximately 1,000 at present.

Two principal reasons were given by members wishing to withdraw. Either they were moving and no longer producing the commodity in question, or they were convinced that they must have all their money at harvest time in the fall. Some withdrew only at the insistence of creditors. Although deferred payments were given as one of the chief causes of dissatisfaction, it is stated that this objection is raised far less frequently in Colorado than in the earlier days of cooperation. Many growers have begun to realize the advantages of deferred payments, resulting in better times throughout the year, as well as great savings in interest charges on money and goods obtained on credit.

A subsidiary warehouse corporation is to be formed at once by the Colorado Bean Growers' Association, for handling and storing beans. Warehouses and handling facilities will be built or purchased as the demand arises. Plans call for financing the warehouse program entirely by savings on handling charges, made possible through acquiring the new facilities.

NATIONAL LIVESTOCK PRODUCERS HOLD FIFTH ANNUAL MEETING

At the fifth annual meeting of the National Livestock Producers' Association, held in Chicago, January 26 and 27, reports were presented showing that the Producers' firms in 1926 handled 72,603 cars of livestock. Refunds to shippers on this business amounted to \$178,156. Total business of the five years has amounted to \$500,000,000 and earnings for members have totaled more than \$1,300,000.

An interesting feature of the meeting was the discussion of the calf and lamb pools conducted in the fall of 1926, whereby 144,000 western lambs and 11,000 range calves were bought and shipped direct to feeders in the Corn Belt.

-----0-----

IOWA LIVESTOCK ASSOCIATION KEEPS UNIFORM RECORDS

Livestock sales in 1926 by the Clear Lake Cooperative Live Stock Shippers' Association, Clear Lake, Iowa, brought in the sum of \$962,711, of which the shippers received \$954,495, or 99 per cent of the f.o.b. sales value.

In the year the association shipped 577 decks of livestock, 27,739 animals, of which 22,136 were hogs, and 5,623 were cattle and calves. This was an increase of 127 cars over the business of 1925. Practically all shipments went to Austin, Minn., or to Mason City, Iowa.

Losses on crippled and dead stock were notably small, being only \$273 for hogs and \$156 for cattle and calves. Seven hogs were reported dead and 10 crippled; 3 calves and 2 head of cattle were reported dead, and 8 calves crippled.

This association was organized in 1922 and is said to be the largest shipping association in Iowa. It had 327 members in 1926. Figures selected from the annual reports tell in part of its operations:

Year	Number of decks	Number of animals		Received for livestock*	Paid shippers	Per cent of total
		Hogs	cattle and calves			
1923	326	23,431	3,526	\$611,900	\$603,345	98.6
1924	316	23,972	4,069	595,230	586,232	98.5
1925	450	19,430	4,667	710,392	703,037	99.0
1926	577	22,136	5,623	952,711	954,495	99.1

*F.o.b. shipping point.

OHIO LIVESTOCK SOLD DIRECT TO PACKERS

Cattle, calves, sheep and hogs, to the value of \$5,040,471 were sold through the Eastern States Company, Columbus, Ohio, during 1926. The number of animals of each species handled was as follows: cattle, 140; calves, 15,641; sheep, 79,169; hogs, 139,443. The greater part of the sales were made from the Columbus office of the company, although large numbers of animals were sold at the branches established at the stockyards at Buffalo, Pittsburg, Cleveland, and Cincinnati.

This company was formed late in 1923 for the purpose of (1) reducing handling costs, (2) increasing the producers' bargaining power through centralized selling, and (3) marketing livestock on the basis of grade and value. It aims to bring about the direct movement of livestock from shipping point or concentration point to slaughterhouse. The services rendered by the company supplement the activities of the county shipping associations and the cooperative sales agencies at the terminal markets.

It is estimated by the management that 15 per cent of the hogs marketed cooperatively in Ohio in 1925 were moved by the Eastern States Company direct to the packers. The percentage for 1926 is given as 21 per cent. The management believes that this direct movement results in savings in yardage, feed, freight, selling charges, etc.

-----0-----

LIVESTOCK SHIPMENTS IN WEST VIRGINIA

Net returns to producers by the West Virginia Cooperative Livestock Shippers' Association, Inc., Morgantown, amounted to \$461,262 for 1926, compared with \$460,427 for 1925. A larger number of shippers were served in 1926 than in 1925, and larger numbers of sheep and calves were handled but fewer cattle, as will be noted by the figures below:

Year	Number of shippers	Number of animals			
		Sheep	Cattle	Calves	Total
1924	1,874	13,034	5,201	660	18,895
1925	2,618	15,802	5,819	1,123	22,744
1926	2,773	18,042	5,528	1,407	24,977

Fourteen county units were served by the association in 1924, and 17 in 1926, with membership varying from 2 to 496, and net returns to the counties ranging from less than \$1,000 to more than \$90,000. Shipments were made to the terminal markets at Pittsburg, Baltimore and Philadelphia, and to the feeder market at Lancaster, Pa.

BIG PAYMENT MADE BY BURLEY TOBACCO ASSOCIATION

Checks for more than six million dollars were mailed to its members January 19, by the Burley Tobacco Growers' Cooperative Association, Lexington, Ky., as a second payment on the 1925 crop. This distribution brings the amount paid on the 1925 crop to \$18,361,395, and the total amount paid on the crops of 1921 to 1925, inclusive, to \$151,032,896, an average of \$17.37 per hundred pounds, and the association still has on hand about 93,000,000 pounds of the 1923, 1924 and 1925 crops, on which further payments will be made when the tobacco is sold.

Full settlement has been made for the 1921 and 1922 crops, the association having paid \$23,449,352 for the former year's tobacco, and \$49,423,795 for the 1922 crop. Two payments have been made on the 1923 crop and also on the 1924 crop. As the next payment for these years will be the final one, it can not be made until all the tobacco for the year is sold.

-----0-----

ROOSEVELT HAY ASSOCIATION MAKES STEADY GROWTH

Steady growth has marked the five years' work of the Roosevelt Hay Growers, Phoenix, Arizona, an organization formed under the laws of Arizona to handle surplus hay for the farmers on a business-like basis, developing markets and distributing hay to the advantage of producers. Some figures showing the operations of the association are shown below:

Year	Tonnage	Expense per ton	Gross price for No.1 hay	Av. price for all hay
1922	4,860	\$3.06	\$19.88	\$18.10
1923	11,328	2.63	17.82	16.53
1924	23 538	2.33	19.38	18.15
1925	24,310	1.90	16.96	14.16
1926	33,832	-----	-----	-----

Hay is graded according to Federal standards and is pooled according to grade. Approximately 70 per cent of the market value is advanced as soon as the hay is graded and weighed. Further distributions and final settlement depend upon sales. The increased tonnage handled year by year has resulted in reduced expenses per ton. The association has more than 300 members.

During 1925 and 1926 the association handled alfalfa seed for its members, to the extent of more than a million pounds each year. In order to handle the seeds economically the association purchased a plant and installed two modern cleaning machines.

GREATER DEMAND FOR SERVICES OF MASSACHUSETTS EXCHANGE

Business amounting to more than \$6,000,000 was transacted in 1926 by the Eastern States Farmers' Exchange, Springfield, Mass. Commodities received totaled 5,498 car loads. The Exchange distributed 131,980 tons, of which 120,218 tons consisted of feed and grain. This was an increase of 12.8 per cent over the feed tonnage of 1925. While the 1925 purchases were distributed to 16,000 members at 598 stations, in the past year the Exchange served 17,800 members at 670 stations, some deliveries being in less than carlots.

Tonnage of fertilizer handled was 8 per cent less than in 1925. More than half of this decrease was due to the high analysis mixtures with less bulk. Elimination of credit sales was another main reason.

The seed department is still in its infancy but made a growth of 85 per cent in the past year, handling 575,019 pounds of seed. Paints and a few other items have been handled in limited quantities.

Figures showing the steady development of the work of the Exchange since its organization, are given below:

Year	Commodities distributed	Value of commodities distributed	Number of members	Refunds
	(Tons)			
1918	4,290	\$ 197,287	- - -	- - - -
1919	15,196	967,224	- - -	- - - -
1920	31,808	1,612,009	- - -	- - - -
1921	37,885	1,567,061	- - -	- - - -
1922	51,318	2,020,691	- - -	- - - -
1923	97,536	4,651,508	11,327	- - - -
1924	113,734	5,526,553	12,500	- - - -
1925	119,291	5,979,963	16,000	\$30,898
1926	131,980	6,279,810	17,800	50,172

Earnings for 1926 amounted to \$77,066. The by-laws provide that two-thirds of the earnings shall be distributed in patronage dividends and one-third carried to the surplus fund, consequently, the sum of \$50,172 is to be refunded to members, and \$25,688 added to the working capital. As the by-laws specify that a minimum surplus of \$100,000 shall be maintained, it was necessary for the Exchange to accumulate this amount of surplus before paying dividends to members. This fund had reached a total of \$143,397 on January 1, 1927.

During the 1926 year the Exchange increased its investment in the Eastern States Milling Corporation by \$30,000. This was to enable the corporation to erect a warehouse to increase its storage capacity.

CONSUMERS' COOPERATIVE ISSUES PROFIT AND LOSS STATEMENT

Sales for 1926 by the Cooperative Central Exchange, Superior, Wis., amounted to \$1,048,292, and net earnings were \$11,647. Expenses of the educational department came to \$2,817, with no income; the jobbing department earned \$8,109; and the wholesale department, \$9,827. In the auditing department and bakery, expenses were in excess of income by \$880 and \$2,590, respectively, the latter caused by removal of the bakery to new quarters.

-----0-----

COOPERATION INVADES NEW FIELD IN MINNESOTA

Cooperation has invaded a new field in Southern Minnesota, that of buying gasoline and lubricating oils. More than 50 cooperative oil companies are reported to be doing business or in process of organization, with memberships made up largely of farmers. The first of these oil companies, the Cottonwood Cooperative Oil Company, was formed in the village of Cottonwood in July, 1921, by a group of farmers, and was a success from the start. A second company was soon started at Owatonna and has been an outstanding success. Its 1925 sales amounted to \$171,591, with net earnings of \$26,487. A patronage dividend of \$22,000 was paid, about 14 per cent of sales. In 1926 its net earnings were \$37,273, or 16.2 per cent of sales, and refunds to patrons came to \$33,000. In the five years refunds have amounted to \$70,000.

Another local at Albert Lea reported sales of \$231,483 in 1926, with net earnings of \$30,446, and a patronage refund of \$28,924.

An overhead organization known as the Minnesota Co-op Oil Company, was formed in September, 1926, to assist them in their organization and bookkeeping. About 40 of the local companies are now affiliated with the state association which has its headquarters in Minneapolis. A special purchasing department was organized in November.

It is said that the oil business lends itself readily to the cooperative plan. The products are retailed from service stations, from bulk stations through tank trucks, and from curb pumps. Deliveries from the bulk stations are usually in barrel lots direct to consumers. In rural communities this represents a high percentage of the total business. The truck driver is responsible for collections. Only a few lines are handled, two grades of gasoline, one of kerosene, about fifteen grades of oil, and four of grease and hard oil. Goods are sold at prevailing prices. Savings come from the combined purchasing and the elimination of wasteful duplication of service stations and oil trucks.

A study of this new type of cooperation has been made by representatives of the University of Minnesota and the U. S. Department of Agriculture. The data collected are now being prepared for publication.

AUSTRALIAN PRODUCERS ORGANIZE ALONG THREE LINES

Three important developments have taken place recently in the co-operative movement in Australia, according to a letter from an official source. The first was the amalgamation of three large milk-distributing companies to form the Dairy Farmers' Cooperative Milk Company.

The second event was a conference of cooperative bacon factories, which resulted in the adoption of a resolution to form a federation to improve marketing conditions and to put the bacon industry on a more satisfactory footing. "However, much spadework is to be done before anything concrete can be accomplished." It is hoped to extend the movement gradually to include the entire Commonwealth of Australia.

Another important occurrence was the creation of the Australian Maize Council, with a committee from each state. Two delegates from each state committee, together with the Maize Expert from each State Department of Agriculture, make up the Australian Maize Council. The Maize Growers' Committee of New South Wales has formulated its constitution and planned its work. State and interstate conferences are to be held in the near future. All of the organization work is fostered by the Primary Producers' Union which is trying to organize the producers of New South Wales and to extend the organization throughout Australia.

---0---

SIAM ENCOURAGES COOPERATIVE CREDIT SOCIETIES

Since 1916 the Government of Siam has been endeavoring to aid the rice growers of the Southern Central Provinces by establishing co-operative credit societies through which the growers can secure funds to pay their debts, buy land, or purchase implements.

The first society was started by the Government in 1916 with 16 members and now has 47. Progress has been slow from necessity but the country now has 77 credit societies with 1,414 members, and within the last three years the societies have refunded the greater part of their loans to the banks.

At least ten members are required to start a society and fifty is the maximum. It is further required that all the members of a society must live in the same village; that they must be persons of good reputation and not given to quarrelling; and that some at least must be able to read and write, that they may act on the committee and keep the books and accounts of the society. The societies are of the unlimited liability type.

The Registrar of Cooperative Societies, with his force of inspectors, supervises the work of the societies and audits their accounts annually. The inspectors endeavor to prove themselves not merely officials but friends, and to encourage habits of thrift and self help.

INTERMEDIATE CREDIT BANKS AID COOPERATIVES

Recently, Farm Loan Commissioner A. C. Williams, in discussing the functions and operations of the Federal intermediate credit banks before representatives of cooperative wool marketing associations, in attendance at a conference called by the Department of Agriculture, pointed out that these banks are loaning only about one-sixth of their capacity. Here, he said, is a permanent dependable source of credit, at a low rate of interest for cooperatives, which is capable of being more fully utilized than it has been in the past. The value of the system can not be measured, however, by the amount of the actual advances, since cooperative associations report that they have found commercial banks willing to grant short-term credit when arrangements have been made for their longer term credit through the Federal intermediate credit banks.

The Federal intermediate credit act was passed in 1923. It authorized the establishment of a Federal intermediate bank with five million dollars Government capital, in connection with each of the twelve Federal land banks, and provided that the officers of the latter should direct their operations subject to the general supervision of the Federal Farm Loan Board. These banks may issue and sell properly secured debentures up to ten times the paid-in-capital and surplus, which makes the maximum loaning power of the system approximately \$660,000,000.

The intermediate credit banks do not make loans direct to individuals, but assist in financing cooperative marketing associations, and furnish discount facilities for state and national banks and for properly organized agricultural credit corporations and livestock loan companies.

Loans or discounts must have a maturity at the time they are made or rediscounted by the Federal intermediate credit bank of not less than six months, nor more than three years. While there is no rule as to the number of times a properly secured note may be renewed, borrowing and discounting agencies have preferred loans and discounts having a maturity of not to exceed twelve months, with the understanding that proper renewals will be granted.

The act provides that the intermediate credit banks may loan to cooperative marketing associations not to exceed 75 per cent of the market value of staple agricultural products fully insured and stored in properly supervised warehouses. No limitation is fixed, however, as to the percentage of value which may be loaned on livestock through a sound discounting agency.

The financing of each cooperative marketing association has its own peculiar problems, depending upon the commodity handled. It is necessary to handle each commodity on its merits. Some commodities

must undergo a process of manufacture, others are perishable, while still others are in a permanent-keeping condition when delivered to the association. However, the requirements which cooperative marketing associations must meet in order to be eligible for loans under this system are such as one would expect to meet in securing a loan through any other agency. The cooperative must show that it fills a need, controls a sufficient amount of the commodity to be able to function economically, and has a sound marketing program and business organization. The Farm Loan Board has ruled that approved warehouse receipts or shipping documents covering the following agricultural products may be accepted as a basis for loans to cooperative marketing associations: wheat, cotton, wool, tobacco, raisins, peanuts, broomcorn, beans, rice, alfalfa and red-top seeds, hay, nuts, canned fruits and vegetables, maple sirup, and dried fruits.

The intermediate credit banks must be certain that the warehouses in which commodities are stored protect the products from deterioration. Loans made against warehouse receipts are accompanied by a collateral agreement to provide such additional security as may be needed from time to time to preserve the prescribed relation between the market value of the security and the amount loaned on it. Whenever the price suddenly declines during the life of a loan, the intermediate credit banks have the power to insist that additional collateral be put up to keep the percentage of actual value at the required amount.

From their organization to December 31, 1926, the Federal intermediate credit banks have loaned to cooperative marketing associations \$318,890,425, while rediscounts for banks and eligible loan companies and credit corporations during that period amounted to \$169,726,235. This is a good showing, but these figures disclose that those whom it was intended to aid are not utilizing the facilities afforded by the system as much as they might. Yet these banks are sympathetic and anxious to make their resources available to every eligible applicant who can offer proper security. They are also prepared to render assistance in setting up local organizations to make the service available.

Cooperative marketing associations requiring financial assistance should communicate with the Federal intermediate credit bank serving the territory in which the association is located, explain the problems which confront them, and ascertain if the system can not be utilized by them.

H. M. Bain.

ALLEGED MISMANAGEMENT NO DEFENSE

On January 13, 1927, the Supreme Court of Nebraska decided the case of Nebraska Wheat Growers Association v. Smith, 212 N. W. 39. The association brought suit for the specific performance of its contract, for the accounting of the amount of the 1925 crop sold by the defendant outside the association and for the recovery as liquidated damages of 25 cents a bushel for the amount thus sold. The lower court dismissed the case, and the association appealed. In reversing the lower court the Supreme Court held that it was immaterial whether the association received less for the wheat handled than could have been obtained on the outside and that "any breaches of the marketing agreement by the plaintiff association or the contract of membership, if such there were in the 1925 pool year, would not be available to the defendants as an excuse or justification for the action which they took" apparently prior to the alleged breach by the association. The Court further held that if it be conceded that the association breached the marketing contract in 1924, that under the Uniform Sales Act of Nebraska, this would not in and of itself give the defendant a right to regard the contract as terminated, but that the effect of such a breach is dependent "on the terms of the contract and the circumstances of the case," and with respect to this matter, the Court held that any breaches of the contract by the association in 1924 were insufficient to justify the defendant in regarding the contract as terminated.

With respect to the claim that the association had been mismanaged, the Court said that this did not constitute a defense and that a contract of membership in the association was analogous to an agreement to purchase stock in an ordinary corporation, that is to say, through a stock subscription and that mismanagement was not a defense to such a contract. The Court referred to "that change in public policy in regard to combinations of farmers for the purpose of marketing their products which has not only been universally accepted but is an accomplished fact. This is to be seen, not only by the Clayton Act (38 stat. 730) and the many other recent acts of Congress treating farmers as a distinct class, but also appears in the regulations of the executive department of the federal government. The legislatures of more than 30 of our states, including our own, have enacted substantially similar legislation to the Kansas act before us. These evidences of uniform opinion disclose that by universal consent it is now conceded that the basic economic condition of agriculture at the present time requires the remedies contained in the acts referred to, and that their application is deemed reasonable and just, and to operate for the good of the entire nation and every citizen thereof."

The judgment of the trial court was reversed with instructions to ascertain the amount of wheat grown by the defendant in 1925 and directing that he be required to perform his contract specifically with respect to the wheat remaining in his hands and that as to wheat disposed of, judgment was to be entered against him for liquidated damages of 25 cents per bushel.

FIFTY EVENINGS GIVEN TO STUDYING COOPERATION

Fifty evenings were given to a study of cooperation the past winter by the farmers of northern Indiana. Five cooperative schools, each occupying an evening a week for ten weeks, were held between November 8 and January 21. The average attendance for the five schools was thirty-one. Some of the farmer-students came from a distance of 20 miles and two came 50 miles. The course of study was under the supervision of the Vocational Department of the State Board of Education and the schools were conducted jointly by the State Board and the Indiana Farm Bureau Federation.

The special object of the schools was to instruct leaders in the various communities where the schools were held in regard to the essential facts and principles of cooperative marketing, that they might be in a position to answer many of the questions arising among their neighbors, and be prepared to combat some of the arguments presented against cooperative marketing.

-----0-----

COOPERATIVE MARKETING SCHOOL TO BE HELD IN TEXAS

A short course in cooperative marketing is scheduled for College Station, Texas, for May 4, 5 and 6, 1927. The three-day school will be held under the auspices of the A. & M. College of Texas, in cooperation with Texas cooperative marketing associations, and with the Division of Cooperative Marketing, Bureau of Agricultural Economics, United States Department of Agriculture.

The program has been designed especially for agricultural extension workers, field men and directors of cooperative associations, and others who are working to direct the cooperative movement in Texas along sound lines. The first day will be devoted largely to the historical background of the movement and to cooperative principles and problems. Membership relations and sales problems are stressed in the second day's program, and financing, accounting, and other operating problems make up the program for the third day.

The list of lecturers and speakers includes representatives of the Texas A. & M. College, representatives of Texas cooperative associations, and specialists from the Division of Cooperative Marketing, U. S. Department of Agriculture. In general the morning sessions will be given to lectures and the afternoon sessions to round-table discussions. Motion pictures on the cooperative marketing of important farm products will be shown at evening sessions.

REPORTED BY THE ASSOCIATIONS

Massachusetts had 86 credit unions in December, 1925, with 55,000 members and assets of \$8,679,760. In December, 1926, the number, organized or authorized, had increased from 86 to 240. The number of members had grown to 87,000 and the assets to \$12,052,144.

About 400 members of the Marietta Truck Growers' Association, Waterford, Ohio, attended the 19th annual meeting held recently. A decision was made to change the by-laws of the organization to make the bushel basket the standard package for shipping cucumbers instead of the bushel hamper as at present.

The management of the Central States Soft Wheat Growers' Association, Indianapolis, is working on a plan for the establishment of loading facilities at important receiving points. Portable elevators will be placed at some points and permanent elevators erected at others. Where permanent elevators are built these will be financed largely by the capitalization of handling charges.

When the Manitoba Cooperative Dairies, Ltd., Winnipeg, began operations five years ago, it produced 300,000 pounds of butter in the year. The record for the past year was 1,306,179 pounds, a gain of more than a million pounds in its brief existence. Each year it has paid the producers for their cream the full market price, paid interest on stock to the amount of \$17,421, paid patronage dividends to shippers to the amount of \$35,595, and laid by a reserve fund.

A silver cup offered by the American Cotton Growers' Exchange, Memphis, to the member of an affiliated state association who delivered the largest quantity of cotton in the 1925-26 season, was won by a member of the Arkansas Cotton Growers' Cooperative Association, Little Rock, who delivered 2,525 bales last year. This member is one of the 3,700 who have signed the new ten-year contract being offered by the association to its members.

Every local unit of the Lake Region Cooperative Egg and Poultry Exchange, St. Paul, Minn., was represented at the third annual meeting held March 2-3, 1927. An amendment to the by-laws was adopted providing for a closer working arrangement between the local units and the Exchange, whereby the Exchange will aid the board of directors in selecting managers for the associations. It was the opinion of those present that the Exchange could render a real service in checking up the books and operations of each association, and comparing the costs of the various departments.

CALIFORNIA ASSOCIATION PUBLISHES HISTORY

A history of the Challenge Cream and Butter Association, Los Angeles, Calif., has been prepared by the association and issued in mimeographed form. The period covered is from 1909 to the present, with many details regarding the reasons for organization, the various steps taken, and some results.

-----0-----

FOURTH SUMMARY OF LEGAL CASES ISSUED

The fourth number of Summary of Cases and Decisions on Legal Phases of Cooperation is now available for distribution by the Division of Cooperative Marketing, U. S. Department of Agriculture. This mimeographed circular is a compilation of legal information pertaining to cooperative associations. This number contains the articles published during 1926 in Agricultural Cooperation. An index covering the four numbers is in process of preparation.

-----0-----

REPORT ON STORAGE OPERATIONS OF ELEVATORS

A recent preliminary report issued by the Division of Cooperative Marketing tells of the Storage Operations of Farmers' Elevators. This report constitutes Part III of a Study of Farmers' Elevators in the Spring Wheat Area. This study was begun in the fall of 1924 and was designed to cover the operations of a selected group of farmers' elevators over a period of four or five years. Part I dealt with the cost of operation of the elevators, and Part II with the protein content of wheat handled in the 1924-25 season.

-----0-----

STUDY OF FINANCIAL MANAGEMENT OF FARMERS' ELEVATORS

A book entitled Financial Management of Farmers' Elevators, by Gerald M. Francis, bears the subtitle, A Study in the Principles of Corporate Finance as Applied to Grain Marketing Companies. The preface states that "A difference of opinion exists as to the methods which should be used in grain marketing organizations. Some insist that local farmers' associations are chiefly to be relied upon; others propose centralized terminal organizations entirely separate from and substituted for the local farmers' elevators....It has been the aim to point out the relative advantages and disadvantages of these two methods of grain marketing."

SELECTED LIST OF PUBLICATIONS AND ARTICLES

- Booth, J. F. Financing Local Cooperative Associations That Require Capital for Permanent Investments. Farm Economics, Ithaca, N. Y., March, 1927, p. 655.
- Capper, Arthur. Cooperative Marketing Is Growing. Cappers's Farmer, Topeka, March, 1927, p. 3.
- Cooperative Marketing Journal. Washington, D. C., March, 1927. Contents: L. S. Hulbert, What Does the Law Say About the Board of Directors; Robin Hood, A Council of Farm Cooperatives; T. W. Fetrow, Some Economic Conditions that Hinder Cooperative Cotton Marketing; E. D. Schlaman, A "Contact" Department; H. W. Swanson, Trade Cooperation in Marketing Fruits and Vegetables; J. G. Knapp, How the Hard Winter Wheat Pool Operates.
- Erdman, H. E. The Cooperative Marketing Association as a Factor in Adjusting Production to Demand. Journal of Farm Economics, Ithaca, N. Y., January, 1927, p. 73.
- Frankel, Herbert. Cooperation and Competition in the Marketing of Maize in South Africa. 144 p. London, P. S. King & Son, Ltd., 1926.
- Haliburton, E. D. Cooperative Apple Marketing. How New England's Neighbors Do It. New England Homestead, Springfield, Mass., March 19, 1927, p. 3.
- Hirth, William. Adopting a Definite Policy on Cooperative Creameries. Missouri Farmer, Columbia, Mo., March 15, 1927, p. 12.
- Kilgore, B. W., Jr. A Successful Cooperative Creamery; For Thirteen Years Mooresville Creamery Has Enriched and Served Its Community. Progressive Farmer, Raleigh, N. C., March 19, 1927, p. 8.
- Kuhrt, W. J. Handling the Problems of Variation in Protein Content of Wheat at Farmers' Elevators. Part I. Farmers' Elevator Guide, Chicago, February, 1927, p. 22.
- Nidever, C. A. Cooperation. California Cultivator, Los Angeles, Calif. March 19, 1927, p. 345.
- Vaile, Roland S. Some Long-time Effects of Cooperative Marketing. Journal of Farm Economics, Ithaca, N. Y., January, 1927, p. 82.

IN THIS ISSUE

	<u>Page</u>
Fruits and vegetables:	
Pure Gold fruit wins many prizes.....	117
Avocada Exchange is branding its fruit (Calif.).....	117
California Fruit Exchange buys supplies for members.....	117
Tasmania fruit growers hold ninth annual meeting.....	118
California association handles Gravenstein apples.....	118
Tennessee growers raise quality strawberries.....	119
Colorado association serves vegetable growers.....	119
Dairy products:	
Canadian association reports large growth.....	120
Oregon factories make more cheese each year.....	120
Alberta dairy pool reports for first year.....	121
Cheese federation sets new high record. (Wis.).....	121
Grain and beans:	
Cooperative elevator expansion in Alberta.....	122
Withdrawal clause is approved in Colorado.....	122
Livestock:	
National Livestock Producers hold fifth annual meeting	123
Iowa association keeps uniform records.....	123
Ohio livestock sold direct to packers.....	124
Livestock shipments in West Virginia.....	124
Tobacco:	
Big payment made by Burley Tobacco Association.....	125
Hay:	
Roosevelt Hay Association makes steady growth. (Ariz.).....	125
Purchasing:	
Greater demand for service of Massachusetts exchange.....	126
Consumers' cooperative issues profit and loss statement.....	127
Cooperation invades new field in Minnesota.....	127
Foreign:	
Australian producers organize along three lines.....	128
Siam encourages cooperative credit societies.....	128
Legal:	
Intermediate credit banks and cooperatives.....	129
Alleged mismanagement no defense.....	131
Education:	
Fifty evenings given to studying cooperation (Ind.).....	132
Cooperative marketing school to be held in Texas.....	132
Miscellaneous:	
Reported by the associations.....	133
Publications:	
California association publishes history.....	134
Fourth Summary of Legal Cases issued.....	134
Report on storage operations of elevators.....	134
Study of Financial Management of Farmers' Elevators.....	134
Selected list of publications and articles.....	135